

CONFIDENTIAL

26 February 1968

MEMORANDUM

SUBJECT: Comments on the Attached Paper, "Proposal to Mitigate the Extraterritorial Effects of U. S. Cuban Assets Control and Foreign Assets Control Regulations"

The paper correctly points out that the extension of these regulations to US subsidiaries in Canada has <sup>(for several years)</sup> ~~long~~ soured US\*Canadian economic relations. These extraterritorial controls not only raise the possibility of counter-legislation, but are also used by the economic nationalists in Canada as justification for all manner of proposals for controlling U.S. investment there. Without this issue their case would be much weaker. In its recent report the highly publicized Gordon Task Force bore down hard on these regulations to substantiate its allegation that foreign investment brings foreign control.

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Comment from RO, OCI:

Regarding the second paragraph on page 12, relating to the US renegotiating the agreements to facilitate closer UK relationships with Europe, it should be made clear that the US is interested only in a really integrated European defense force, subject to supranational political authority.

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